University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. – 06/30/10

UNC CH Foundation Investment Fund
$1.94 Billion
Invested in UNC Investment Fund ($2.54 billion)

UNC Chapel Hill Affiliated Foundations (23)
$863.3 Million
Arts & Sciences  Business
Educational  Law
Public Health  Medical
Others…

Foundation Unitholders
Scholarships, Professorships etc.

UNC Chapel Hill Statutory Endowment
$891.0 Million

Endowment Unitholders
Scholarships, Professorships etc.

UNC Chapel Hill Foundation
$185.7 Million

Foundation Unitholders
Scholarships, Professorships etc.
UNC Investment Fund
Investment Objectives

- Preserve the Real (inflation-adjusted) purchasing power of the Fund while providing a predictable and growing stream of spending distributions to Fund participants.

- Earn an annualized “real” total rate of return of at least 5.5% (CPI +5.5%) over 5 – 10 year time horizons.

- Earn an annual rate of return that exceeds the Strategic Investment Policy Portfolio (SIPP) benchmark.

- Perform in the top quartile of University Endowment Funds.
<table>
<thead>
<tr>
<th>Period</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Months (FY 2010)</td>
<td>6.8%</td>
</tr>
<tr>
<td>3 Years</td>
<td>(2.5)%</td>
</tr>
<tr>
<td>5 Years</td>
<td>6.4%</td>
</tr>
<tr>
<td>10 Years</td>
<td>6.2%</td>
</tr>
</tbody>
</table>
UNC Investment Fund
FY 2010 Performance Review

- For the 12 months ended June 30, 2010 (FY 2010) the UNC Investment Fund produced a +6.8% return.
- On the one hand, this positive return represents a step in the right direction after the significant loss recorded in the prior fiscal year.
- On the other hand, the Fund’s FY 2010 return was quite disappointing on a relative basis:
  - The Fund’s return lagged the return on the Strategic Investment Policy Portfolio (SIPP) benchmark by a sizable margin for the year.
  - The Fund’s return ranked in the bottom quartile of university endowment returns for the year.
Primary Factors For Relative Underperformance to Strategic Investment Policy Portfolio

- Real Estate writedowns
- Long/Short Equity managers too bearish in strong equity market environment
- Domestic Fixed Income short duration and overweight high quality
In FY 2010, the University of North Carolina at Chapel Hill Endowment Fund increased in value by $37.8 million, from $853.2 at June 30, 2009 to $891.0 million at June 30, 2010.

- Major components of this increase include net investment gains of $58 million, and gifts & bequests of $38.1 during the year.
- The increase in market value in FY 2010 came after the annual endowment distribution of $49.5 million and $8.9 million in other withdrawals.
UNC Chapel Hill Foundation Investment Fund
FY 2011 Distribution Rate

At its May 2010 meeting, the Investment Fund Board:

- Approved the Fiscal Year 2011 Annual Distribution Rate of $397 per unit for the University of North Carolina at Chapel Hill Foundation Investment Fund, Inc., increasing the per unit distribution rate by 2.6% over the FY2010 per unit rate.

- The $397 per unit will be distributed to CHIF Fund participants on June 30, 2011 based on units held in the Fund during the course of FY 2011.
UNC Chapel Hill Investment Fund
Distribution as a % of Beginning Mkt Value

Fiscal Year


4.00%  4.50%  5.00%  5.50%  6.00%  6.50%  7.00%
UNC Investment Fund
Long-Term Performance
Periods ended June 30, 2010

<table>
<thead>
<tr>
<th>Period</th>
<th>UNCIF</th>
<th>Inflation + 5.5%</th>
<th>70/30 Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Years</td>
<td>7.4%</td>
<td>6.4%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>5 Years</td>
<td>7.9%</td>
<td>6.2%</td>
<td>1.4%</td>
</tr>
<tr>
<td>10 Years</td>
<td>7.9%</td>
<td>1.9%</td>
<td>6.2%</td>
</tr>
<tr>
<td>20 Years</td>
<td>10.2%</td>
<td>8.2%</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

Inflation + 5.5%
Summary

- The UNC Investment Fund’s FY 2010’s results were disappointing as the Fund performed poorly relative to its SIPP benchmark and compared to other institutional funds for the year.

- The UNC Investment Fund’s longer-term record is still attractive relative to benchmarks and peers.

- FY 2010 represented a small step forward in repairing the damage incurred in FY 2009 – recouping the losses incurred in FY 2009 will likely be a multi-year process requiring patience and discipline.

- FY 2011 performance is off to a good start.

- Looking forward, we remain confident that the UNC Investment Fund will continue to produce attractive longer-term returns, particularly on a risk adjusted basis.